

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY AND EXHIBITS

OF

JACQUELINE R. CHERRY

MARCH 12, 2008



DOCKET NO. 2008-2-E

**South Carolina Electric and Gas Company
Annual Review of Base Rates for Fuel Costs**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

DIRECT TESTIMONY OF
JACQUELINE R. CHERRY
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2008-2-E
IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS
OF SOUTH CAROLINA ELECTRIC & GAS COMPANY

Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Jacqueline R. Cherry. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") in the Audit Department, as an Audit Manager.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a B.S. Degree in Business Administration, with a major in Accounting from Johnson C. Smith University in 1976. From February 1979 to October 2004, I was employed as an auditor with the Public Service Commission of South Carolina (the "Commission") and participated in cases involving the regulation of gas, electric, telephone, water and wastewater utilities. In October 2004, I began employment as an Audit Manager with ORS.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
2 **PROCEEDING?**

3 **A.** The purpose of my testimony is to present results of the ORS Audit Staff's
4 examination of South Carolina Electric & Gas Company's ("the Company" or
5 "SCE&G") books and records pertaining to the Fuel Adjustment Clause
6 ("FAC") operation for the current review period of February 2007 through April
7 2008 (Docket No. 2008-2-E). The findings of the examination are set forth
8 below and in the exhibits attached to this testimony. The findings presented in
9 the Report of the Audit Department were either prepared by me or were
10 prepared under my direction and supervision.

11 **Q. WHAT WAS THE PURPOSE OF THIS EXAMINATION?**

12 **A.** The purpose of the examination was to determine whether the Company's
13 accounting practices in computing and applying the monthly FAC were in
14 compliance with S.C. Code Ann. §58-27-865 (Supp. 2007). To accomplish this
15 task, ORS examined the components associated with the operation of the clause.

16 **Q. WHAT WAS THE SCOPE OF ORS'S EXAMINATION?**

17 **A.** The ORS Audit Staff examined and traced the monthly fuel adjustment factor
18 calculations and the fuel recovery balances as recorded in the Company's books
19 and records. The current fuel review covered the period February 2007 through
20 April 2008. However, the ORS Audit Staff did not examine the months of
21 February, March and April 2008 because projected figures for those three
22 months were used by the Company. Specifically, the examination consisted of:

23 1. Analyzing the Fuel Stock Account – Account # 151

- 1 2. Verifying Receipts to the Fuel Stock Account – Account # 151
- 2 3. Verifying Charges to Nuclear Fuel Expense - Account # 518
- 3 4. Verifying Purchased and Interchange Power Fuel Costs
- 4 5. Verifying KWH Sales
- 5 6. Recalculating the Fuel Adjustment Factors and Verifying the Deferred
- 6 Fuel Costs
- 7
- 8 7. Recalculating the True-up for the Over/Under-Recovered Fuel Costs
- 9 8. Verifying the Details of the Company's Fuel Costs Including Variable
- 10 Environmental Costs
- 11

12 **Q. PLEASE EXPLAIN THE CONTENT OF THE AUDIT STAFF**
13 **EXHIBITS.**

14 **A.** ORS prepared audit exhibits from the Company's books and records reflecting
15 fuel costs during the review period. Specifically, these exhibits include the
16 following:

- 17 Audit Exhibit JRC-1: Total Received and Weighted Average Cost
- 18 Audit Exhibit JRC-2: Received Coal-Cost Per Ton (Per Plant)
- 19 Audit Exhibit JRC-3: Received Coal-Cost Per Ton Comparison
- 20 Audit Exhibit JRC-4: Burned Cost – Consumed Generation
- 21 Audit Exhibit JRC-5: Cost of Fuel
- 22 Audit Exhibit JRC-6: Computation of Unbilled Revenue
- 23 Audit Exhibit JRC-7: Details of Environmental Costs

24 **Q. PLEASE ELABORATE ON THE ORS AUDIT STAFF'S**
25 **COMPUTATION OF THE TRUE-UP OF OVER/UNDER-RECOVERED**
26 **FUEL COSTS.**

1 A. ORS Audit Exhibit JRC-6 provides explanations for ORS's cumulative under-
2 recovery balance as of January 2008, and projected balance as of April 2008.
3 The cumulative under-recovery amount totaled (\$28,848,155) as of January
4 2008. ORS then added the projected over-recovery of \$8,992,720 for the month
5 of February 2008, the projected over-recovery of \$1,026,000 for the month of
6 March 2008, the projected over-recovery of \$918,840 for the month of April
7 2008, the projected monthly carrying cost to be collected for each projected
8 month, and included the monthly calculation amount of \$1,583,583 for the
9 Urquhart and Jasper Fixed Capacity Charges for each of the projected months to
10 arrive at a cumulative under-recovery of (\$12,588,524) as of April 2008. The
11 Company's cumulative under-recovery, per Rooks' Exhibit No. (AWR-1), as of
12 January 2008 totals (\$28,744,188) and as of April 2008, the cumulative under-
13 recovery totals (\$12,484,557). The difference between the Company's and
14 ORS's cumulative under-recovery as of actual January 2008 and projected as of
15 April 2008 equals (\$103,967). Audit Exhibit JRC-6 provides the explanation
16 for any cumulative under-recovery difference as of April 2008.
17 Effective with the May 3, 2007 passage of the S.C. Base Load Review Act, the
18 state's fuel clause (S.C. Code Ann. §58-27-865) was amended to include as
19 components of fuel cost "(a) the cost of ammonia, lime, limestone, urea, dibasic
20 acid, and catalysts consumed in reducing or treating emissions. and (b) the cost
21 of emission allowances, as used, including allowance for SO₂, NO_x, mercury
22 and particulates." Audit Exhibit JRC-7 provides the details needed to calculate
23 the variable environmental costs to be included in the fuel factor. Effective May

1 3, 2007, SO₂ Emission Allowances were included in an environmental cost
2 factor of the FAC. Prior to that date, these costs had been included in the base
3 fuel factor under the FAC. Audit Exhibit JRC-7 reflects an over-recovery (or
4 over-collection) of \$4,631,427 in environmental costs that will be spread among
5 the various customer classes.

6 As stated in the Company's Adjustment for Fuel Costs, fuel costs will be
7 included in base rates to the extent determined reasonable and proper.

8 **Q. WOULD YOU PLEASE EXPLAIN ENDNOTE (1) TO AUDIT EXHIBIT**
9 **JRC-6?**

10 **A.** Yes. Endnote (1) addresses the cumulative ORS under-recovery balance
11 brought forward from January 2007 of (\$52,562,505). As reflected on this
12 exhibit, it differs from the Company's beginning cumulative under-recovery
13 balance (from January 2007) of (\$52,476,342) by (\$86,163) (Docket No. 2008-
14 2-E, Exhibit No. __{AWR-1}). The actual cumulative under-recovery
15 difference of (\$86,164) was based on adjustments made by ORS to such costs as
16 Fossil Fuel (Coal) and to a true-up adjustment. As verified per ORS, the
17 Company booked its under-recovery correcting entry of (\$86,164) in February
18 2007.

19 **Q. DID YOU NOTE ANY DIFFERENCES BETWEEN ORS'S AND THE**
20 **COMPANY'S CALCULATION OF THE UNDER-COLLECTION?**

21 **A.** Yes, I did. Each of the differences are identified and described in the Endnotes
22 (2) through (5) of the Audit Exhibit JRC-6. Based on ORS's examination of the

1 actual months of the review period, these Endnotes explain ORS's proposed
2 adjustments, as follows:

3 Endnote (2) – For the month of June 2007, ORS did not reflect the
4 Company's true-up adjustment totaling \$17,328 to the cumulative balance of the
5 deferred account as a "bottom-line" retail adjustment. ORS applied the
6 adjustment to May 2007 costs. ORS reflected the corrections, on a system basis,
7 in the actual month of May 2007 because ORS had three other corrections to
8 reflect on that basis (per Endnotes (3) through (5)).

9 **Q. DO ENDNOTES (3), (4a) AND (5) REPRESENT CORRECTIONS OF**
10 **COMPANY FILED INFORMATION?**

11 **A.** Yes. Based on the revisions to the FAC, which became effective May 3, 2007,
12 SO₂ Emission Allowance expenses for the first two days of May, for this review
13 period, should remain in the Base Fuel Cost calculations. Endnote (3) reflects
14 this revised accounting treatment. The costs applicable for those two days
15 totaled \$100,228, on a system basis. The Company had included these costs in
16 the Environmental Costs Factor computations.

17 Endnote (4a) reflects that, for May 2007, Purchased Power Expenses were
18 adjusted to reflect the change in Purchased Power Costs when system fuel costs
19 were included in the calculations. On a system basis, this expense increased by
20 \$62.

21 Endnote (5) was also an adjustment made to be in compliance with the revisions
22 to the FAC. As described in the explanation of Endnote 3, SO₂ Emission
23 Allowance expenses applicable to Intersystem Sales, made on the first two days

1 of May 2007, for this period, on a system basis, were included in the
2 computation of that month's Base Fuel Costs. The costs applicable for those
3 two days totaled \$9, on a system basis. The Company included these costs in
4 the Environmental Costs Factor computations. ORS made this adjustment to be
5 consistent with the two-day inclusion.

6 **Q. DID THE COMPANY MAKE ANY ADJUSTMENTS OR TRUE-UPS**
7 **DURING THE ACTUAL REVIEW PERIOD?**

8 **A.** Yes. In February, June, July, October, November 2007 and January 2008, the
9 Company had true-ups to the cumulative balances of the Deferred Fuel Account
10 No. 182.3004 due to various Company corrections and revisions to costs such as
11 Fossil Fuel Costs (increases/reductions true-ups to coal and gas), and Purchased
12 Power Costs and Sales (adjustments based on revisions to system fuel costs
13 used in Purchased Power calculations and cost allocation corrections in
14 NCEMC Sales). ORS examined and recomputed all of these true-ups, with no
15 exceptions noted.

16 **Q. PLEASE EXPLAIN ENDNOTE (6) TO ORS AUDIT EXHIBIT JRC-6.**

17 **A.** Endnote (6) explains the continued calculation of the monthly carrying cost per
18 PSC Docket No. 2006-2-E.

19 **Q ARE THERE ANY OTHER ISSUES THAT YOU WOULD LIKE TO**
20 **ADDRESS?**

21 **A.** Yes. I'd like to address the issue related to a Municipal Fee Refund to electric
22 customers.

1 **Q. PLEASE EXPLAIN THE ACCOUNTING TREATMENT**
2 **CONDITIONALLY APPROVED BY THE COMMISSION**
3 **ASSOCIATED WITH MUNICIPAL FEE, AND HOW IT IMPACTS THIS**
4 **PROCEEDING?**

5 **A.** On December 20, 2007, under Docket No. 2007-459-E, SCE&G requested
6 accounting treatment related to municipal fees accumulated balances as of
7 December 2006, to be credited to the customers through the fuel clause.
8 Additionally, beginning with 2007 financial statements, the Company requested
9 to record current-year payments of municipal fees as prepaid expenses on its
10 balance sheet, and record the current-year collections as other revenues, net of
11 the amortization of the prior payment. On January 25, 2008, the Commission
12 issued Order No. 2008-49 granting such Accounting Treatment of Municipal
13 Fee Payments filed by the Company under Docket No. 2007-459-E. The
14 Commission further required undertaking a full examination of such accounting
15 treatment in this fuel cost proceeding.

16 Audit Exhibit JRC-7 reflects an adjustment of (\$27,028,156) associated with the
17 electric municipal fee in S.C. Environmental Costs that will be applied to the
18 various customer classes.

19 **Q. PLEASE EXPLAIN THE ONGOING MUNICIPAL FEE ACCOUNTING**
20 **TREATMENT REFLECTED IN THE COMPANY BOOKS.**

21 **A.** Beginning in 2007, SCE&G proposed to record the current year payment as
22 prepaid expenses on the balance sheet, and record the collection as other electric
23 revenues, net of the amortization of the prior year payment. This will allow any

1 future differences between prepayments and collection to flow through
2 operating results as regulated income, and avoid any accumulations in prepaid
3 accounts. At the same time, this change will have no impact on the way the
4 customers are currently billed for the franchise fees.

5 **Q WHAT WAS THE RESULT OF THE ORS AUDIT DEPARTMENT'S**
6 **EXAMINATION?**

7 **A.** Based on the ORS Audit Staff's examination of the Company's books and
8 records, and its operation of the fuel cost recovery mechanism, the ORS Audit
9 Department is of the opinion that, subject to the adjustments presented in the
10 aforementioned Endnotes, the Company's books and records accurately reflect
11 the fuel costs incurred by the Company in accordance with previous
12 Commission orders and with S.C. Code Ann. §58-27-865 (Supp. 2007).

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes, it does.

**REPORT OF THE AUDIT DEPARTMENT
THE OFFICE OF REGULATORY STAFF**

March 12, 2008

DOCKET NO. 2008-2-E

SOUTH CAROLINA ELECTRIC & GAS COMPANY

REPORT OF THE AUDIT DEPARTMENT

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2008-2-E

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS

**REVIEW PERIOD: FEBRUARY 1, 2007 – JANUARY 31, 2008 (ACTUAL)
FEBRUARY 1, 2008 – APRIL 30, 2008 (ESTIMATED)**

INDEX

	<u>PAGE NUMBER</u>
Analysis-----	1 - 9
Exhibit JRC-1: Total Received and Weighted Average Cost -----	10
Exhibit JRC-2: Received Coal-Cost Per Ton (Per Plant) -----	11
Exhibit JRC-3: Received Coal-Cost Per Ton Comparison-----	12 -13
Exhibit JRC-4: Burned Cost-Consumed Generation-----	14
Exhibit JRC-5: Cost of Fuel-----	15
Exhibit JRC-6: Computation of Unbilled Revenue-----	16 -19
Exhibit JRC-7: Details of Environmental Costs----	20 -22

Note: The ORS Audit Exhibits are prepared by the ORS Audit Staff.

REPORT OF THE AUDIT DEPARTMENT
DOCKET NO. 2008-2-E
SOUTH CAROLINA ELECTRIC & GAS COMPANY
ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS

ANALYSIS

The Office of Regulatory Staff's ("ORS") Audit Department has made an examination of the books and records of South Carolina Electric & Gas Company ("the Company" or "SCE&G") pursuant to the requirements under Docket No. 2008-2-E and S.C. Code Ann. §58-27-865, that periodic hearings be conducted before the Commission concerning the Adjustment of Base Rates for Fuel Costs.

SCE&G's Retail Fuel Adjustment Clause covers the period of February 2007 through April 2008. However, the ORS Audit Staff did not examine the months of February, March, and April 2008 because the amounts of over/under-recovery for those months were estimated by the Company for the purpose of adjusting base rates effective May 1, 2008. The estimates for these three months will be subject to true-up at the Company's next hearing.

The ORS Audit Department's examination consisted of the following:

1. ANALYZING THE FUEL STOCK ACCOUNT - ACCOUNT # 151

ORS's analysis of the Fuel Stock Account consisted of tracing receipts to the fuel management system and issues from the fuel management system to the General Ledger,

reviewing monthly fuel charges originating in fuel accounting, and ensuring that only proper charges are entered in the Company's computation of fuel costs for purposes of adjusting base rates for fuel costs.

2. VERIFYING RECEIPTS TO THE FUEL STOCK ACCOUNT-- ACCOUNT #151

ORS's testing of coal receipts to the Fuel Stock Account consisted of randomly selecting transactions and tracing each of these randomly selected transactions to a coal receiving report, waybill or truck bill, freight study detailed report, and the fuel management system payment voucher for documentation purposes. It also consisted of recalculating the transactions to ensure mathematical accuracy.

3. VERIFYING CHARGES TO NUCLEAR FUEL EXPENSE - ACCOUNT # 518

ORS traced the expense amounts for nuclear fuel to the books and records for the period February 2007 through January 2008 to verify the accuracy of the expenses to fuel amortization schedules.

4. VERIFYING PURCHASED AND INTERCHANGE POWER FUEL COSTS

ORS verified the Company's Purchased and Interchange Power Fuel Costs to summary sheets provided by the Company's Electric Pricing and Operations Departments. Fuel costs, KWH purchases and sales for the period from February 2007 through January 2008 were traced to the system reports, and on a sample basis, were traced to monthly invoices. ORS Purchased Power figures for February 2007 through January 2008 and

the resultant over/under-recovery monthly deferred fuel amounts for February 2007 through January 2008 reflect calculations in compliance with S.C. Code Ann. §58-27-865. This statute addresses "fuel costs related to purchased power." Sub-section (A)(2)(b) of this statute states that the total delivered cost of economy purchases, including (but not limited to) transmission charges, are included in Purchased Power Costs if those types of purchases are "less than the purchasing utility's avoided variable costs for the generation of an equivalent quantity of electric power." The Company's per books economic purchases included wheeling (transmission) charges for the review period which totaled \$34,811. ORS applied this statute to the examined economic purchases along with the applicable avoided costs. ORS Audit Staff noted no material exceptions to this portion of Purchased Power Costs. It should be noted that the Company has implemented an "in-house" procedure that audits the Company's avoided costs information in relation to the Company's hourly purchase power records. Since this procedure is performed weekly, it enables the Company to monitor more closely and if needed, to quickly correct its avoided costs versus purchase price transactions.

5. VERIFYING KWH SALES

ORS verified total system sales, as filed in the monthly fuel factor computation, for the months of February 2007 through January 2008. This monthly figure was then used to determine the fuel cost per KWH sold.

6. RECALCULATING THE FUEL ADJUSTMENT FACTORS AND VERIFYING THE DEFERRED FUEL COSTS

ORS recalculated the Fuel Costs Adjustment Factors for the months of February 2007 through January 2008 utilizing information obtained from the Company's records.

With reference to fuel cost, ORS verified the Total Fuel Costs for the months of February 2007 through January 2008 to the Company's books and records.

In recalculating the monthly factors, ORS divided the Total Cost of Fuel Burned by Total System Sales to arrive at fuel costs per KWH sales. The base fuel cost per KWH, included in the base rates, is then subtracted from the fuel cost per KWH sales. The resulting figure represents the fuel cost adjustment above or below base per KWH sales. The South Carolina Retail Jurisdictional KWH deferrals were checked against the Company's records. The actual Deferred Fuel Costs for each month were verified to the Company's books and records.

7. RECALCULATING THE TRUE-UP FOR THE OVER/UNDER-RECOVERED FUEL COSTS

ORS analyzed the cumulative under-recovery of fuel costs that the Company had incurred for the period February 2007 through January 2008 totaling \$(28,848,155). ORS added the projected over-recovery of \$8,992,720 for the month of February 2008, the projected over-recovery of \$1,026,000 for the month of March 2008, the projected over-recovery of \$918,840 for the month of April 2008, the projected monthly carrying cost to be collected for each estimated month, and included the monthly calculation

amount of \$1,583,583 for the Urquhart and Jasper Fixed Capacity Charges for each of the estimated months to arrive at a cumulative under-recovery of (\$12,588,524) as of April 2008. The Company's cumulative under-recovery, per Rooks's Exhibit No. (AWR-1), as of January 2008 totals (\$28,744,188) and as of April 2008, the cumulative under-recovery totals (\$12,484,557). The difference between the Company's and ORS's cumulative under-recovery as of actual January 2008 and estimated as of April 2008 also totals (\$103,967). Audit Exhibit JRC-6, Computation of Unbilled Revenue, consisting of 4 pages, provides the explanation for any cumulative under-recovery difference as of April 2008.

For the purpose of determining the base cost of fuel in base rates effective May 1, 2008, and based on the examination conducted in accordance with the Commission's guidelines, ORS calculated the under-recovery of (\$12,588,524) as of estimated April 2008.

Effective as of May 3, 2007, the fuel statute, S.C. Code Ann. §58-27-865, was amended to include variable environmental costs assigned specifically to customer classes. Per the amended statute, the variable environmental costs include but are not limited to "(a) the cost of ammonia, lime, limestone, urea, dibasic acid, and catalysts consumed in reducing or treating emissions, and (b) the cost of emission allowances, as used, including allowance for SO₂, NO_x, mercury and particulates." Therefore, Audit Exhibit JRC-7 provides the details necessary for the calculation of the separate variable environmental costs base factors.

As stated in the Company's S.C. Retail Adjustment for Fuel and Variable Environmental

Costs Rider, fuel and variable environmental costs will be included in base rates to the extent determined reasonable and proper.

8. VERIFYING THE DETAILS OF THE COMPANY'S FUEL COSTS

ORS prepared exhibits based upon information obtained from SCE&G's books and records reflecting coal costs during the review period. Specifically, these exhibits are as follows:

Audit Exhibit JRC-1, titled Total Received and Weighted Average Cost; Audit Exhibit JRC-2, titled Received Coal – Cost Per Ton (Per Plant); and Audit Exhibit JRC-3, titled Received Coal-Cost Per Ton Comparison, which reflects the overall cost per ton of coal by month for the three major electric utilities regulated by this Commission.

EXHIBITS

Exhibits relative to this proceeding are identified as follows:

AUDIT EXHIBIT JRC-1: TOTAL RECEIVED AND WEIGHTED AVERAGE COST

This audit exhibit reflects the total cost for the period February 2007 through January 2008, for the three types of fossil fuel: coal, # 2 oil, and natural gas. ORS has also computed the weighted average cost of each type of fuel.

AUDIT EXHIBIT JRC-2: RECEIVED COAL - COST PER TON (PER PLANT)

This audit exhibit reflects the received cost per ton for coal at each plant for the period of time from February 2007 through January 2008, in dollars per ton including freight costs.

AUDIT EXHIBIT JRC-3: RECEIVED COAL – COST PER TON COMPARISON

This audit exhibit reflects the received cost per ton for coal each month during the period from February 2007 through January 2008 for South Carolina Electric & Gas Company, Duke Energy Carolinas, and Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. ORS has shown for comparison purposes, the invoice cost per ton, freight cost per ton, total cost per ton and the cost per MBTU.

AUDIT EXHIBIT JRC-4: BURNED COST - CONSUMED GENERATION

This audit exhibit reflects the per book cost of burned fuel used for generation for the period February 2007 through January 2008. The burned cost of each class of fuel is shown separately. These costs include emission allowance expenses and as of May 3, 2007, other variable environmental costs as described in §58-27-865 (A)(1) (Supp. 2007).

AUDIT EXHIBIT JRC-5: COST OF FUEL

In Audit Exhibit JRC-5, this audit exhibit reflects the cost of fuel for the period February

2007 through January 2008. ORS has computed the total fuel cost applicable to the base fuel factor computation. There are three (3) components used in arriving at this cost. These components are as follows:

- (1) Total Cost of Fuel Burned
- (2) Purchased and Interchange Power Fuel Cost
- (3) Fuel Cost Recovered from Intersystem Sales

Total Cost of Fuel Burned --- This amount is the burned cost of all fossil and nuclear fuel burned during the period. The costs associated with emission allowances after May 3, 2007 and the other variable environmental costs are reflected separately. A detailed breakdown of coal, oil, gas, emission allowances/environmental costs and nuclear fuel can be seen in Audit Exhibit JRC-4.

Purchase and Interchange Power Fuel Cost --- This amount is the monthly cost of kilowatt hours received by SCE&G from other electric utilities or power marketers.

Fuel Cost Recovered from Intersystem Sales --- This amount is the fuel-related cost of KWH's sold during the period to another electric utility and /or power marketer.

Total fuel cost applicable to the factor is computed by adding the cost of fuel burned to purchased and interchange power fuel cost. This amount is then reduced by fuel associated with intersystem sales.

AUDIT EXHIBIT JRC-6: COMPUTATION OF UNBILLED REVENUE

This audit exhibit reflects the computation of the unbilled revenue balance at April 30, 2008. The balance amounts to an under-recovery of (\$12,588,524). This balance

represents the difference between actual (with three months estimated) fuel costs and billed fuel costs for the Company's retail customers for the period.

AUDIT EXHIBIT JRC-7: DETAILS OF ENVIRONMENTAL COSTS

Shown in this audit exhibit are the details on the variable environmental costs that are covered in §58-27-865 (A)(1) (Supp. 2007). Since SO₂ Emission Allowances were included in these costs as of May 3, 2007, this exhibit also reflects the treatment of this cost after the enactment of this amended fuel statute. For this review period, an adjustment concerning a refund to Electric customers of Municipal Fees (Franchise Fees) was netted against these costs. Therefore, with this adjustment, this exhibit reflects an over-recovery of \$4,631,427 (on a Retail basis) in S.C. Environmental Costs that will be spread among the various customer classes.

South Carolina Electric & Gas Company
 Total Received and Weighted Average Cost
 February 2007 - January 2008
 Docket No. 2008-2-E

<u>Month</u>	<u>Coal</u>		<u>#2 Oil</u>		<u>Gas</u>		<u>Total Received Cost</u>
	Tons	\$	Gal	\$	MCF	\$	\$
Feb-07	510,239	34,622,702	1,344,515	2,404,152	3,586,936	36,786,326	73,813,180
Mar-07	386,573	24,777,347	430,149	873,962	466,750	5,352,752	31,004,061
Apr-07	526,863	32,393,003	263,769	520,538	921,821	9,351,193	42,264,734
May-07	465,671	29,930,749	557,703	1,178,485	1,584,281	15,036,801	46,146,035
Jun-07	558,869	35,532,280	181,300	391,780	2,129,096	18,661,589	54,585,649
Jul-07	494,585	32,025,346	392,327	885,822	2,708,819	20,271,868	53,183,036
Aug-07	555,430	35,323,789	203,065	449,985	5,080,678	38,221,540	73,995,314
Sep-07	603,514	37,805,377	437,529	1,071,651	2,103,747	15,551,143	54,428,171
Oct-07	478,677	29,698,595	279,127	684,163	1,636,493	13,823,888	44,206,646
Nov-07	522,775	32,851,804	89,640	241,160	136,312	3,038,385	36,131,349
Dec-07	509,801	32,862,260	299,505	794,699	649,802	7,121,896	40,778,855
Jan-08	608,134	38,888,166	217,810	593,450	2,588,830	27,664,439	67,146,055
Total	6,221,131	396,711,418	4,696,439	10,089,847	23,593,565	210,881,820	617,683,085
Weighted Average		<u>63.77</u>		<u>2.15</u>		<u>8.94</u>	

Note: Exhibit prepared by the ORS Audit Staff.

South Carolina Electric & Gas Company
 Received Coal - Cost Per Ton (Per Plant)
 February 2007 - January 2008
 Docket No. 2008-2-E

<u>Plant</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Canadys	70.73	67.95	64.90	67.46	66.40	68.25	66.31	65.69	65.02	66.75	65.21	70.42
Cope	66.26	66.43	61.23	62.81	63.25	63.08	66.54	61.27	62.96	62.40	55.49	59.28
McMeekin	61.21	61.82	62.04	62.24	61.99	61.52	61.55	61.08	60.43	60.57	56.32	64.48
Urquhart	55.58	56.49	62.09	69.04	67.54	67.60	68.75	62.75	63.09	59.77	62.36	63.53
Wateree	65.52	64.09	60.67	64.05	61.11	58.68	58.46	61.93	58.16	61.92	60.48	60.46
Williams	79.07	63.73	61.03	63.41	64.87	71.91	67.00	62.99	69.66	63.21	82.39	65.50
Total System	67.85	64.09	61.48	64.27	63.58	64.75	63.60	62.64	62.04	62.84	64.46	63.95

Note: Exhibit prepared by the ORS Audit Staff.

South Carolina Electric & Gas Company
Received Coal - Cost Per Ton Comparison
February 2007 - January 2008
Docket No. 2008-2-E

South Carolina Electric & Gas Company

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Feb-07	55.65	12.20	67.85	2.6780
Mar-07	49.10	14.99	64.09	2.5171
Apr-07	48.58	12.90	61.48	2.4273
May-07	49.46	14.81	64.27	2.5168
Jun-07	51.21	12.37	63.58	2.5027
Jul-07	50.73	14.02	64.75	2.5673
Aug-07	51.36	12.24	63.60	2.5205
Sep-07	49.60	13.04	62.64	2.4803
Oct-07	48.41	13.63	62.04	2.4434
Nov-07	50.41	12.43	62.84	2.4834
Dec-07	51.09	13.37	64.46	2.5673
Jan-08	49.57	14.38	63.95	2.5329

Duke Energy Carolinas

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Feb-07	43.97	20.63	64.60	2.6315
Mar-07	47.24	19.97	67.21	2.7129
Apr-07	43.49	19.61	63.10	2.5290
May-07	46.03	19.15	65.18	2.6093
Jun-07	45.92	19.91	65.83	2.6665
Jul-07	45.61	20.88	66.49	2.7274
Aug-07	45.76	22.99	68.75	2.8206
Sep-07	45.28	31.48	76.76	3.1713
Oct-07	44.55	19.19	63.74	2.6406
Nov-07	45.29	21.10	66.39	2.7574
Dec-07	41.35	24.60	65.95	2.7407
Jan-08	46.99	25.94	72.93	2.9813

South Carolina Electric & Gas Company
Received Coal - Cost Per Ton Comparison
February 2007 - January 2008
Docket No. 2008-2-E

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Feb-07	51.80	20.66	72.46	2.9205
Mar-07	52.53	19.35	71.88	2.8816
Apr-07	53.74	19.88	73.62	2.9656
May-07	53.98	18.17	72.15	2.8972
Jun-07	47.94	17.35	65.29	2.6319
Jul-07	53.83	19.62	73.45	2.9558
Aug-07	53.42	19.72	73.14	2.9523
Sep-07	52.93	20.25	73.18	2.9489
Oct-07	54.17	20.81	74.98	3.0117
Nov-07	55.96	20.77	76.73	3.0930
Dec-07	48.22	20.42	68.64	2.7730
Jan-08	53.87	22.08	75.95	3.0739

Note: Exhibit prepared by the ORS Audit Staff.

South Carolina Electric & Gas Company
 Burned Cost - Consumed Generation
 February 2007 - January 2008
 Docket No. 2008-2-E

Audit Exhibit JRC-4

Used for Base Fuel Factor:

<u>Month</u>	<u>Coal</u>		<u>#2 Oil</u>		<u>Gas</u>		<u>SO2 Emission Allowance</u>		<u>Nuclear</u>		<u>Total Burned Cost</u>
	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Feb-07	21,483,903	34.29%	1,424,611	2.27%	36,761,153	58.67%	1,256,038	2.00%	1,736,466	2.77%	62,662,171
Mar-07	18,704,273	67.06%	638,085	2.29%	5,345,110	19.16%	1,106,704	3.97%	2,098,661	7.52%	27,892,833
Apr-07	19,979,629	60.86%	528,522	1.61%	9,343,872	28.46%	959,036	2.92%	2,016,733	6.15%	32,827,792
May-07	20,471,351	53.48%	582,820	1.52%	15,035,693	39.28%	100,228	0.26%	2,088,005	5.46%	38,278,097
Jun-07	28,435,687	57.30%	521,945	1.05%	18,661,525	37.60%		0.00%	2,006,792	4.05%	49,625,949
Jul-07	29,745,584	56.54%	503,586	0.96%	20,271,841	38.53%		0.00%	2,092,712	3.97%	52,613,723
Aug-07	30,784,834	43.05%	411,594	0.58%	38,221,514	53.45%		0.00%	2,090,899	2.92%	71,508,841
Sep-07	27,686,663	60.68%	366,816	0.80%	15,550,672	34.08%		0.00%	2,025,795	4.44%	45,629,946
Oct-07	23,781,519	59.12%	569,444	1.42%	13,823,335	34.36%		0.00%	2,053,539	5.10%	40,227,837
Nov-07	26,827,965	82.58%	638,518	1.97%	3,031,433	9.33%		0.00%	1,987,939	6.12%	32,485,855
Dec-07	28,151,839	74.99%	229,391	0.61%	7,104,616	18.92%		0.00%	2,056,011	5.48%	37,541,857
Jan-08	27,607,842	48.25%	401,987	0.70%	27,637,757	48.30%		0.00%	1,572,228	2.75%	57,219,814
Totals	303,661,089	55.37%	6,817,319	1.24%	210,788,521	38.43%	3,422,006	0.62%	23,825,780	4.34%	548,514,715

Used for Environmental Cost Factor:

<u>Month</u>	<u>SO2 Emission Allowance</u>		<u>Lime/Limestone</u>		<u>Ammonia</u>		<u>Total Environmental Costs</u>
	\$	%	\$	%	\$	%	\$
May-07	1,010,159	68.04%	382,213	25.74%	92,353	6.22%	1,484,725
Jun-07	1,429,988	68.70%	378,464	18.18%	273,162	13.12%	2,081,614
Jul-07	1,500,067	69.06%	327,806	15.09%	344,212	15.85%	2,172,085
Aug-07	1,552,701	69.71%	384,404	17.26%	290,190	13.03%	2,227,295
Sep-07	1,425,781	72.47%	364,958	18.55%	176,749	8.98%	1,967,488
Oct-07	1,732,792	81.19%	395,135	18.52%	6,151	0.29%	2,134,078
Nov-07	1,871,652	82.22%	404,623	17.78%	0	0.00%	2,276,275
Dec-07	1,962,826	88.97%	243,229	11.03%	0	0.00%	2,206,055
Jan-08	1,857,658	75.38%	603,582	24.49%	3,082	0.13%	2,464,322
Totals	14,343,624	75.44%	3,484,414	18.33%	1,185,899	6.23%	19,013,937

Note: Exhibit prepared by the ORS Audit Staff.

South Carolina Electric & Gas Company
 Cost of Fuel
 February 2007 - January 2008
 Docket No. 2008-2-E

<u>Month</u>	<u>Total Cost of Fuel Burned</u>	<u>Purchased and Interchange Power Fuel Costs</u>	<u>Fuel Cost Recovered from Intersystem Sales</u>	<u>Total Fuel Costs</u>
	\$	\$	\$	\$
Feb-07	62,662,171	2,473,285	(5,721,653)	59,413,803
Mar-07	27,892,833	12,008,107	(2,254,395)	37,646,545
Apr-07	32,827,792	10,226,146	(2,096,472)	40,957,466
May-07	38,278,097	10,654,583	(3,379,000)	45,553,680
Jun-07	49,625,949	11,235,691	(6,684,685)	54,176,956
Jul-07	52,613,723	12,597,234	(6,296,189)	58,914,767
Aug-07	71,508,841	13,341,997	(10,172,933)	74,677,904
Sep-07	45,629,946	11,000,019	(5,952,989)	50,676,975
Oct-07	40,227,837	10,269,447	(3,817,176)	46,680,108
Nov-07	32,485,855	10,313,110	(5,686,154)	37,112,811
Dec-07	37,541,857	9,670,694	(6,843,030)	40,369,521
Jan-08	57,219,814	12,615,545	(7,116,242)	62,719,117
Totals	548,514,715	126,405,858	(66,020,918)	608,899,655

Note: Exhibit prepared by the ORS Audit Staff.

South Carolina Electric & Gas Company
Computation of Unbilled Revenue
February 2007 - April 2008
Docket No. 2008-2-E

-----ACTUAL-----								
	February 2007	March 2007	April 2007	May 2007	June 2007	July 2007	August 2007	September 2007
Fossil Fuel (\$)	59,669,667	24,687,468	29,852,023	36,089,864	47,619,157	50,521,011	69,417,942	43,604,151
Emission Allowance/Environmental Costs (\$)	(3) 1,256,038	1,106,704	959,036	100,228	0	0	0	0
Nuclear Fuel (\$)	1,736,466	2,098,661	2,016,733	2,088,005	2,006,792	2,092,712	2,090,899	2,025,795
Purchased & Interchange Power Fuel (\$)	(4) 2,473,285	12,008,107	10,226,146	10,654,583	11,235,691	12,597,234	13,341,997	11,000,019
Total Cost of Fuel Burned (\$)	65,135,456	39,900,940	43,053,938	48,932,680	60,861,640	65,210,957	84,850,838	56,629,965
Less: Fuel Cost Recovered Intersystem Sales (\$)	(5) 5,721,653	2,254,395	2,096,472	3,379,000	6,684,685	6,296,189	10,172,933	5,952,989
Total Fuel Costs (\$)	59,413,803	37,646,545	40,957,466	45,553,680	54,176,956	58,914,767	74,677,904	50,676,975
Total System KWH Sales Excluding Intersystem Sales	1,965,743,788	1,808,955,931	1,656,190,089	1,856,627,746	2,056,466,353	2,271,724,249	2,466,555,676	2,257,749,058
Fuel Cost Per KWH Sales (\$/KWH)	0.030225	0.020811	0.024730	0.024536	0.026345	0.025934	0.030276	0.022446
Less: Base Cost Per KWH Included In Rates (\$/KWH)	0.025160	0.025160	0.025160	0.026300	0.026300	0.026300	0.026300	0.026300
Fuel Adjustment Per KWH (\$/KWH)	(0.00507)	0.00435	0.00043	0.00176	(0.00005)	0.00037	(0.00398)	0.00385
Unbilled Revenue KWH Sales	1,845,009,210	1,695,657,478	1,544,802,366	1,732,805,734	1,917,537,823	2,128,561,410	2,300,428,685	2,125,488,422
Deferred Fuel Entry (\$)	(9,354,197)	7,376,110	664,265	3,049,738	(95,877)	787,568	(9,155,706)	8,183,130
Monthly Carrying Cost Collected (\$)	(6) (83,424)	(85,021)	(84,694)	(88,870)	(84,110)	(72,454)	(62,510)	(55,911)
Accounting Adjustments (\$)	(2)				0 (2)	(15,448)		
Less: Fixed Capacity Charge (\$)	1,583,583	1,583,583	1,583,583	1,583,583	1,583,583	1,583,583	1,583,583	1,583,583
January 2007 (\$)	(1) (52,562,505) (1)							
Cumulative Over/(Under) Recovery (\$)	(60,416,543)	(51,541,871)	(49,378,717)	(44,834,266)	(43,430,670)	(41,147,421)	(48,782,054)	(39,071,252)

Please Note:

ORS would like to emphasize that the Urquhart Plant (Combined Cycle) Fixed Capacity Charge monthly amount of \$ 673,417 is treated, per PSC Order No. 2003-38, on a retail basis as a reduction to the monthly Deferred Fuel Entries. The Jasper Plant (Combined Cycle) Fixed Capacity Charge monthly amount of \$910,166 is also treated, per PSC Order No. 2005-2, on a retail basis as a reduction to the monthly Deferred Fuel Entries. Therefore, the Fixed Capacity Charges reduction is a monthly total of \$1,583,583.

*Explanation of Endnotes (1) through (6) on Audit Exhibit JRC-6 is found on pages 5 through 8 in the testimony of Jacqueline R. Cherry and on pages 3 and 4 of Audit Exhibit JRC-6.

Exhibit prepared by the ORS Audit Staff.

South Carolina Electric & Gas Company
Computation of Unbilled Revenue
February 2007 - April 2008
Docket No. 2008-2-E

	-----ACTUAL-----				-----ESTIMATED-----		
	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008
Fossil Fuel (\$)	38,174,298	30,497,916	35,485,846	55,647,586	33,560,000	44,812,000	40,074,000
Emission Allowance/Environmental Costs (\$)	(3)	-	-	-	-	-	-
Nuclear Fuel (\$)	2,053,539	1,987,939	2,056,011	1,572,228	1,899,000	2,031,000	1,702,000
Purchased & Interchange Power Fuel (\$)	(4)	10,269,447	10,313,110	9,670,694	12,615,545	11,873,000	4,094,000
Total Cost of Fuel Burned (\$)	50,497,284	42,798,965	47,212,551	69,835,359	47,332,000	50,937,000	48,294,000
Less: Fuel Cost Recovered Intersystem Sales (\$)	(5)	3,817,176	5,686,154	6,843,030	7,116,242	4,975,000	3,977,000
Total Fuel Costs (\$)	46,680,108	37,112,811	40,369,521	62,719,117	42,357,000	46,960,000	44,264,000
Total System KWH Sales Excluding Intersystem Sales	1,980,782,107	1,729,610,452	1,776,400,203	1,967,437,243	1,974,000,000	1,827,000,000	1,720,000,000
Fuel Cost Per KWH Sales (\$/KWH)	0.023567	0.021457	0.022725	0.031879	0.021457	0.025703	0.025735
Less: Base Cost Per KWH Included In Rates (\$/KWH)	0.026300	0.026300	0.026300	0.026300	0.026300	0.026300	0.026300
Fuel Adjustment Per KWH	0.00273	0.00484	0.00358	(0.00558)	0.00484	0.00060	0.00057
Unbilled Revenue KWH Sales	1,863,010,635	1,617,769,209	1,659,161,496	1,826,063,339	1,858,000,000	1,710,000,000	1,612,000,000
Deferred Fuel Entry (\$)	5,086,019	7,830,003	5,939,798	(10,189,434)	8,992,720	1,026,000	918,840
Monthly Carrying Cost Collected (\$)	(6)	(47,923)	(37,045)	(31,296)	(22,946)	(17,000)	(6,000)
Accounting Adjustments (\$)	(2)	(4,821,555)	(18,630)	201,774	201,774	201,774	201,774
Less: Fixed Capacity Charge (\$)	1,583,583	1,583,583	1,583,583	1,583,583	1,583,583	1,583,583	1,583,583
September 2007 - (pg.1 of 6) (\$)	(39,071,252)						
Cumulative Over/(Under) Recovery (\$)	(37,271,128)	(27,913,217)	(20,421,132)	(28,848,155)	(18,087,078)	(15,286,721)	(12,588,524)

Please Note:

ORS would like to emphasize that the Urquhart Plant (Combined Cycle) Fixed Capacity Charge monthly amount of \$ 673,417 is treated, per PSC Order No. 2003-38, on a retail basis as a reduction to the monthly Deferred Fuel Entries. The Jasper Plant (Combined Cycle) Fixed Capacity Charge monthly amount of \$910,166 is also treated, per PSC Order No. 2005-2, on a retail basis as a reduction to the monthly Deferred Fuel Entries. Therefore, the Fixed Capacity Charges reduction is a monthly total of \$1,583,583.

*Explanation of Endnotes (1) through (6) on Audit Exhibit JRC-6 is found on pages 5 through 8 in the testimony of Jacqueline R. Cherry and on pages 3 and 4 of Audit Exhibit JRC-6.

Exhibit prepared by the ORS Audit Staff.

South Carolina Electric & Gas Company
Computation of Unbilled Revenue
February 2007 – April 2008

Explanation of Endnotes to Audit Exhibit JRC-6 (Base Fuel Factor Computation):

- (1) The cumulative ORS under-recovery balance brought forward from January 2007 is (\$52,562,505). As reflected on this exhibit, it differs from the Company's beginning cumulative under-recovery balance (from January 2007) of (\$52,476,342) by (\$86,163) (Docket No. 2008-2-E, Exhibit No. __{AWR-1}). The actual cumulative under-recovery difference of (\$86,164) was based on adjustments made by the ORS to such costs as Fossil Fuel (Coal) and to a true-up adjustment. As verified per ORS, the Company booked its under-recovery correcting entry of (\$86,164) in February 2007.
- (2) In February, June, July, October, November 2007 and January 2008, the Company had true-ups to the cumulative balances of the Deferred Fuel Account No. 182.3004 due to various Company corrections and revisions to costs such as Fossil Fuel Costs (increases/reductions true-ups to coal and gas), and Purchased Power Costs and Sales (adjustments based on revisions to system fuel costs used in Purchased Power calculations and cost allocation corrections in NCEMC Sales). ORS examined and recomputed all of these true-ups, with no exceptions noted.

For the month of June 2007, ORS did not reflect the Company's true-up adjustment totaling \$17,328 to the cumulative balance of the deferred account as a "bottom-line" retail adjustment. The adjustment was applicable to May 2007 costs. ORS reflected the corrections, on a system basis, in the actual month of May 2007 because ORS had three other corrections to reflect on that basis (per explanations (3) through (5) below).

- (3) Based on the revisions to the FAC, which became effective May 3, 2007, SO2 Emission Allowance expenses for the first two days of May, for this review period, should remain in the Base Fuel Cost calculations. Endnote (3) reflects this revised accounting treatment. The costs applicable for those two days totaled \$100,228, on a system basis. The Company had included these costs in the Environmental Costs Factor computations.
- (4) (a) For May 2007, for Purchased Power Expenses, this cost was adjusted to reflect the change in Purchased Power Costs that used system fuel costs in their calculations. On a system basis, this expense increased by \$62.
- (b) For December 2007, ORS reflected a Purchased Power Expense of \$9,670,694. SCE&G reflected an expense of \$9,665,125. The difference was a true-up revision, on a system basis,

**South Carolina Electric & Gas Company
Computation of Unbilled Revenue
February 2007 – April 2008**

Explanation of Endnotes to Audit Exhibit JRC-6 (Base Fuel Factor Computation):

(4)(b) (Continued)

that did not affect the monthly retail basis Deferred Fuel Account entry. ORS reflected the revised figure because it was the figure filed in the monthly fuel reports for the Public Service Commission (the "PSC").

- (5) This was also an adjustment made to be in compliance with the revisions to the FAC. As described in the explanation of Endnote 3, SO₂ Emission Allowance expenses applicable to Intersystem Sales, made on the first two days of May 2007, for this period, on a system basis, were included in the computation of that month's Base Fuel Costs. The costs applicable for those two days totaled \$9, on a system basis. The Company included these costs in the Environmental Costs Factor computations. ORS made this adjustment to be consistent with the two-day inclusion.
- (6) As of May 2006, pursuant to the Settlement Agreement approved in PSC Docket No. 2006-2-E, a monthly carrying cost is applied to an under-recovery balance of \$19,244,218.50 (as per the agreement, "no greater than the under recovery at April 30, 2006 over a two year period commencing May 1, 2006"). The calculation uses the monthly interest rate based on 10-year U.S. Government Treasury Bills as of the first day of the month plus 65 basis points (0.65 percentage points). This monthly carrying cost is collected as an under-recovery entry to the Deferred Fuel Account. During this review period, per the second year of the agreement, the monthly carrying cost is continuously calculated on the declining remaining balance of the \$19,244,218.50. ORS examined and recomputed all of these entries, with no exceptions noted.

Summary:

ORS's cumulative under-recovery of fuel costs as of January 2008 totaled (\$28,848,155). The Company's cumulative under-recovery total as of January 2008 totaled (\$28,744,188). The difference between the Company's and ORS's cumulative under-recovery as of January 2008, on a retail basis, is (\$103,967). ORS's cumulative under-recovery of fuel costs as of April 2008 totaled (\$12,588,524). The Company's cumulative under-recovery total as of April 2008 totaled (\$12,484,557). The difference between the Company's and ORS's cumulative under-recovery as of April 2008, on a retail basis, is (\$103,967).

South Carolina Electric and Gas Company
Details of Environmental Costs
May 2007 - April 2008
Docket No. 2008-2-E

	Actual									Forecasted			Total
	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	
<u>Environmental Costs Incurred</u>													
Reagents - Lime/Limestone	382,213	378,464	327,806	384,404	364,958	395,135	404,623	243,229	603,582	306,000	306,000	230,000	4,326,414
Reagents - Ammonia	92,353	273,162	344,212	290,190	176,749	6,151	-	-	3,082	8,000	7,000	205,000	1,405,899
Emission Allowance Expense (1)	1,010,159 *	1,429,988	1,500,067	1,552,701	1,425,781	1,732,792	1,871,652	1,962,826	1,857,658	1,564,224	1,825,668	1,566,167	19,299,683
Environmental Costs Recovered In													
Intersystem Sales (2)	(27,742)	(45,559)	(14,949)	(9,011)	(41,495)	(74,696)	(277,510)	(236,607)	(108,627)	(179,200)	(143,420)	(145,320)	(1,304,136)
Other Adjustments (3)	-	-	-	-	-	-	-	(27,028,156)	-	-	-	-	(27,028,156)
Net Environmental Costs	1,456,983	2,036,055	2,157,136	2,218,284	1,925,993	2,059,382	1,998,765	(25,058,708)	2,355,695	1,699,024	1,995,248	1,855,847	(3,300,296) **

Environmental Costs Allocated By Rate Classes

Class	Actual									Forecasted			Total
	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	
Residential	641,655 *	896,678	950,003	976,932	848,207	906,952	880,256	(11,739,306)	1,068,779	770,847	905,244	841,998	(2,051,755)
Small General Service	256,866 *	358,956	380,303	391,083	339,553	363,069	352,382	(4,699,458)	399,526	288,154	338,394	314,752	(916,420)
Medium General Service	157,791 *	220,505	233,618	240,240	208,585	223,031	216,466	(2,886,842)	250,410	180,606	212,095	197,277	(546,218)
Large General Service	319,371 *	446,303	472,844	486,248	422,178	451,417	438,129	(5,842,996)	503,412	363,081	426,384	396,595	(1,117,034)
Retail Portion (4)	1,375,683	1,922,442	2,036,768	2,094,503	1,818,523	1,944,469	1,887,233	(25,168,602)	2,222,127	1,602,688	1,882,117	1,750,622	(4,631,427) **

* As adjusted by ORS

** The total amounts are reflected mathematically in parentheses. These totals (System and Retail) represent an over-collection balance for Environmental Costs. It should be noted that ORS usually reflects Over-Recovery amounts without the parentheses. Also, ORS's corrections in May 2007 results in an additional over-collection amount on a Retail basis of \$94,628. See Audit Exhibit JRC-7, Pages 2 of 3 and 3 of 3, for details on adjustments.

South Carolina Electric & Gas Company
Details of Environmental Costs
February 2007 – April 2008

Explanation of Endnotes to Audit Exhibit JRC-7 (Environmental Costs Factors):

- (1) As mentioned in Endnotes (3) for Audit Exhibit JRC-6, for May 2007, for SO2 Emission Allowance Expenses, ORS included the costs for the first two (2) days of the month, on a system basis, in the computations for that month's Base Fuel Costs. The costs applicable for those two days totaled \$100,228, on a system basis. The Company had included these costs in the Environmental Costs Factor computations. Based on the revised FAC, which became effective on May 3, 2007, the first two days' costs for SO2 Emission Allowance Expenses should remain in the Base Fuel Costs calculations. Therefore, for the Environmental Costs Factors computation, ORS reduced the SO2 Emission Allowance Expenses to \$1,010,159 (Total Costs of \$1,110,387 less two days of \$100,228= \$1,010,159).
- (2) As mentioned in Endnotes (5) for Audit Exhibit JRC-6, for May 2007, for SO2 Emission Allowance Expenses applicable to Intersystem Sales, ORS included the costs for the first two (2) days of the month, on a system basis, in the computations for that month's Base Fuel Costs. The costs applicable for those two days totaled \$9, on a system basis. The Company had included these costs in the Environmental Costs Factor computations. Based on the revised FAC, which became effective on May 3, 2007, the first two days' costs for those expenses should remain in the Base Fuel Costs calculations. ORS made this adjustment to be consistent with the two-day inclusion. Therefore, for the Environmental Costs Factors computation, ORS reduced the SO2 Emission Allowance Expenses recovered in Intersystem Sales to \$24,311 (Total SO2 Emission Allowance Expenses in Intersystem Sales of \$24,320 less two days of \$9= \$24,311).

Noted: The total Environmental Costs Recovered in Intersystem Sales, after this adjustment, is \$27,742. This total consists of:

SO2 Emission Allowance Expenses Recovered in Sales	\$24,311
Lime	666
Ammonia	<u>2,765</u>
Total Environmental Costs Recovered in Intersystem Sales	<u>\$27,742</u>

South Carolina Electric & Gas Company
Details of Environmental Costs
February 2007 – April 2008

Explanation of Endnotes to Audit Exhibit JRC-7 (Environmental Costs Factors):

- (3) **Other Adjustments**—(a) It should be noted that the Company did have several true-up adjustments during the review period. The adjustments are included in their respective months. ORS examined and recomputed all of these adjustments, with no material exceptions noted. (b) Municipal Fees (Franchise Fees) Refund—Per Order No. 2008-49 in Docket No. 2007-459-E, the Commission granted approval to SCE&G to refund to Electric customers, through the Fuel Clause, (\$27,028,156). This amount was to be credited against the Company's Environmental Costs for the review period and distributed to the various customer classes. Therefore, for December 2007, the Company did book a credit of (\$27,028,156) to the Deferred Account No. 182.3041, which is the deferred account for the Environmental Costs transactions. ORS examined and recomputed all of the components of this adjustment, with no material exceptions noted.
- (4) For May 2007, based on the adjustments in Endnotes (1) and (2), along with the remaining verified components of the Environmental Costs (Lime and Ammonia), ORS applied the various customer classes Demand Allocators to the revised May 2007 Net Environmental Costs, which on a system basis totaled \$1,456,983. The resultant Retail Portion totaled \$1,375,683.

Summary:

After the application of the credit of (\$27,028,156), ORS reflects an Over-Collection Balance remaining to be applied to Environmental Costs of \$3,300,296, on a System Basis and on a Retail Basis, the total is \$4,631,427. (ORS reflects its Over-Recovery Balances usually without parentheses.) After the application of the credit of (\$27,028,156), SCE&G reflects an Over-Collection Balance remaining to be applied to Environmental Costs of (\$3,200,075), on a System Basis and on a Retail Basis, the total is (\$4,536,799). (SCE&G reflects its Over-Recovery Balances within parentheses.)

On a System Basis, the difference between ORS's and the Company's Over-Collection Balance is \$100,221. On a Retail Basis, the difference between ORS's and the Company's Over-Collection Balance is \$94,628. Differences reflect the May 2007 ORS adjustments.